



## Tuition fee reforms and international mobility

- In most countries with available data, public educational institutions charge different tuition fees for national and foreign students enrolled in the same programme.
- In Australia, Austria, Canada, New Zealand and the United States, foreign students pay on average about twice or more the tuition fees charged to national students.
- In Australia and New Zealand, the estimated revenue from foreign students' tuition fees exceeds one-quarter of the total expenditure on tertiary educational institutions.
- Recent reforms in Denmark, New Zealand and Sweden show that changes in foreign students' fees are reflected by changes in the number of international new entrants.

### Box 1. Concepts and definitions

**Foreign students** are students studying in a country where they are not citizens. International new entrants are students who have crossed a border for the specific purpose of studying and enrol at the relevant level of education for the first time in their host country.

The calculation of foreign students' tuition fees has only taken into account students paying different tuition fees from national students. This excludes, for example, students from the European Economic Area (EEA), which includes European Union countries plus Iceland, Liechtenstein, and Norway, studying in other EEA countries.

**Tuition fees** have been converted into USD by dividing the national currency by the Purchasing Power Parity (PPP) index for Gross Domestic Product (GDP). Tuition fees do not include other fees charged for various services (for example registration fees and fees paid for lodging and meals). The data cover the main educational institutions and the large majority of students. Foreign students' loans and scholarships are not taken into account because of the lack of widely available comparable data (with some exceptions – see Eurydice, 2016). For more information on definitions and methodology, please see OECD (2016a).

The number of students enrolled in tertiary education outside their country of citizenship has doubled in OECD countries in the past 15 years, increasing from 1.5 million in 2000 to 3.1 million in 2014. Foreign students can bring a range of benefits to host countries, such as increasing the human capital potential of the country, building networks with their home countries, and contributing to the economy through their fees and other living expenses. Motivated by the potential to attract a highly qualified labour force and to increase funding for tertiary institutions, several countries have made international education an explicit part of their socio-economic development strategy.

While the OECD has published extensively on the topic of foreign student mobility and the benefits for students and host countries (see bibliography), this Education Indicators in Focus (EDIF) concentrates on the role of foreign students' tuition fees in funding tertiary institutions and on the international mobility of students.

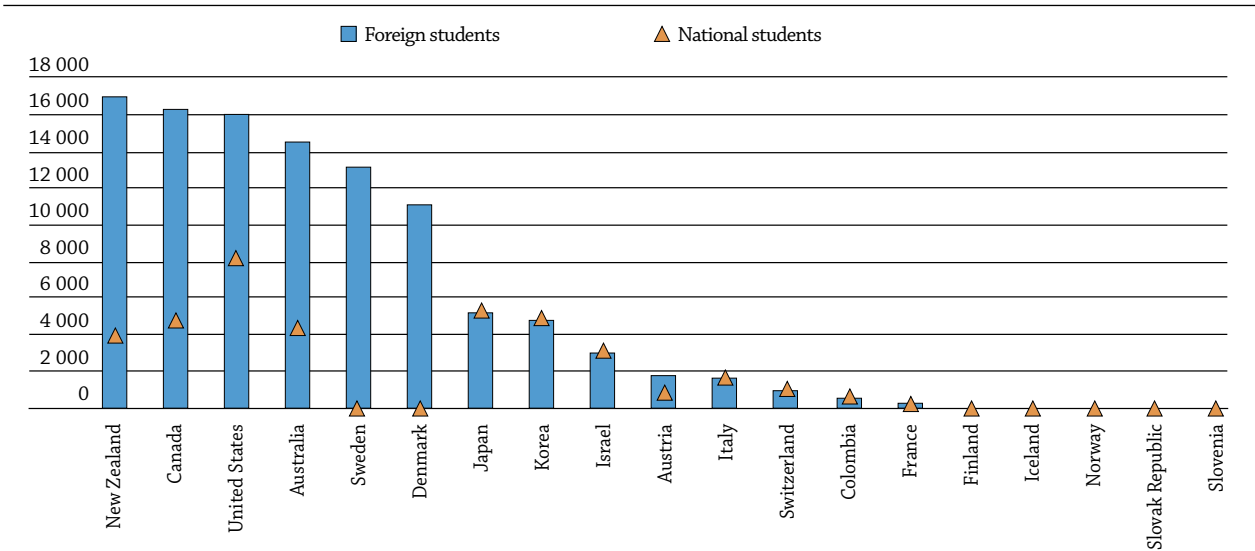
Many countries have initiated policies to attract foreign students on a revenue-generating or at least a cost-recovery basis. In the last 15 years, countries such as Denmark, New Zealand, Sweden and, very recently, Finland, have implemented reforms specifically intended to introduce or modify substantially the tuition fees charged by public institutions to some of their foreign students. The observed impact of these reforms could provide valuable insights to countries considering similar policy changes. The available evidence shows that foreign students are less willing to select a host country with high tuition fees. However, the most motivated students are able to look past high entry costs, presumably attracted by the perceived quality of education, labour market prospects or life circumstances in the host countries.

### *Tuition fees for foreign students can be substantially higher than for national students*

In the course of striking a balance between public and private sources of tertiary education funding, many countries allow institutions to charge different tuition fees for particular programmes or student groups, including foreign students (meaning non-EEA students in the case of European countries). In 20 out of the 38 countries with available data, public educational institutions charge different tuition fees for national and foreign students enrolled in the same programme (see Figure 1 and the additional information provided under the figure).



**Figure 1. Tuition fees charged to national and foreign students at bachelor's or equivalent level (2013/14)**  
Average annual tuition fees charged to full-time students, converted in USD using PPPs for GDP, public institutions



|   |     |  |
|---|-----|--|
| Differentiation in tuition fees between domestic and foreign students (countries without data on the amount of tuition fees): | Yes | Belgium (Fl.), Belgium (Fr.), Chile, the Czech Republic, Estonia, Greece, Ireland, Luxembourg, the Netherlands, Mexico, Poland, the Russian Federation, Turkey |
|   | No  | Brazil, Germany, Hungary, Portugal, Spain  |

**Note:** This figure does not take into account grants, subsidies or loans that partially or fully offset the students' tuition fees. The figure for France is not the average amount, but the amount of fees per year fixed by the Ministry of Higher Education and Research in the first cycle of tertiary education. Some programmes may charge much higher fees, up to USD 8 313, while others are completely free. For some countries, the reference year may be different from 2013/14 (see OECD, 2016a, Tables B5.1 and B5.3). See also OECD (2016a, Annex 3) for further information, [www.oecd.org/education/skills-beyond-school/EAG2016-Annex3.pdf](http://www.oecd.org/education/skills-beyond-school/EAG2016-Annex3.pdf).  
**Source:** OECD (2016), Education at a Glance Database, <http://stats.oecd.org/>.

100% 2014  
8% 2014  
5.5% 2014  
6.25% 2014  
6% 2013

In Australia, Austria, Canada, New Zealand and the United States, foreign students pay on average twice or more the tuition fees paid by national students; in Denmark and Sweden only foreign students pay tuition fees. In contrast, in about half of OECD countries the tuition fees for foreign and national students are the same.

**Foreign students can make a significant contribution towards funding tertiary educational institutions**

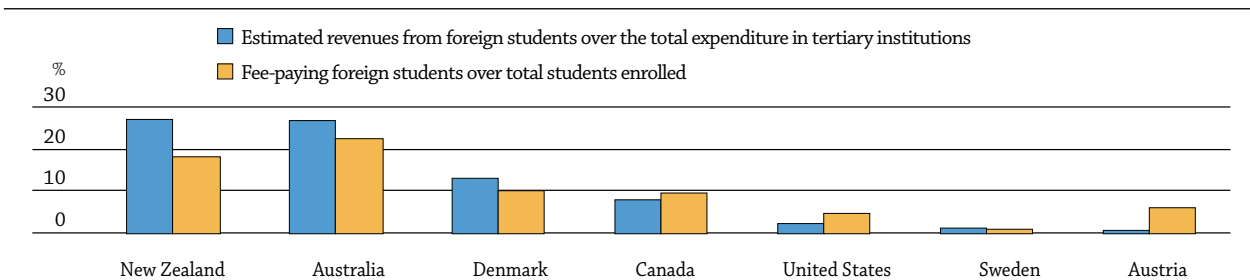
While Figure 1 looks at the average fee for a single student, governments are also interested in the total contribution foreign students make to the national education system. Multiplying the number of foreign students at the bachelor's and master's or equivalent level by the average tuition fees they pay provides a measure of the revenue that can be generated through international student mobility. This figure can be put into perspective by dividing it by the total expenditure (excluding research and development; R&D) on public and private institutions at the bachelor's, master's and doctoral or equivalent levels. This measure has a number of limitations: for example, it excludes tuition fee revenue from foreign doctoral students but expenditure on educational institutions includes doctoral education (and short-cycle tertiary education for Denmark). In addition, it does not take into account loans and scholarships to foreign students. Nonetheless, this measure provides a first approximation of the financial contribution that foreign students can bring to tertiary institutions. This financial contribution can drive the design and implementation of reforms in the tuition fees paid by foreign students.

Figure 2 shows that, among countries charging differentiated tuition fees, the ratio between the estimated revenue obtained from foreign students enrolled at the bachelor's or master's or equivalent level can be far from negligible as a share of total expenditure on educational institutions. In 2013, this ratio ranged from 27% in New Zealand to 1% in Austria. In Australia and New Zealand, the estimated tuition-fee revenue from foreign students makes up more than one-quarter of the total expenditure on educational institutions. The large streams of revenue in these two countries are due both to the high numbers of fee-paying foreign students



**Figure 2. Estimated revenues from foreign students as a share of total expenditure on tertiary institutions (2013/14), compared to the share of fee-paying foreign students over total students enrolled (2014)**

Bachelor's or master's programme or equivalent level, excludes tertiary R&D expenditures



**Note:** Total expenditure on public institutions refer to bachelor's, master's and doctoral programmes or equivalent level; in Denmark it also includes short-cycle tertiary education. Total expenditures for Canada, New Zealand and the United States refer to the year 2012.

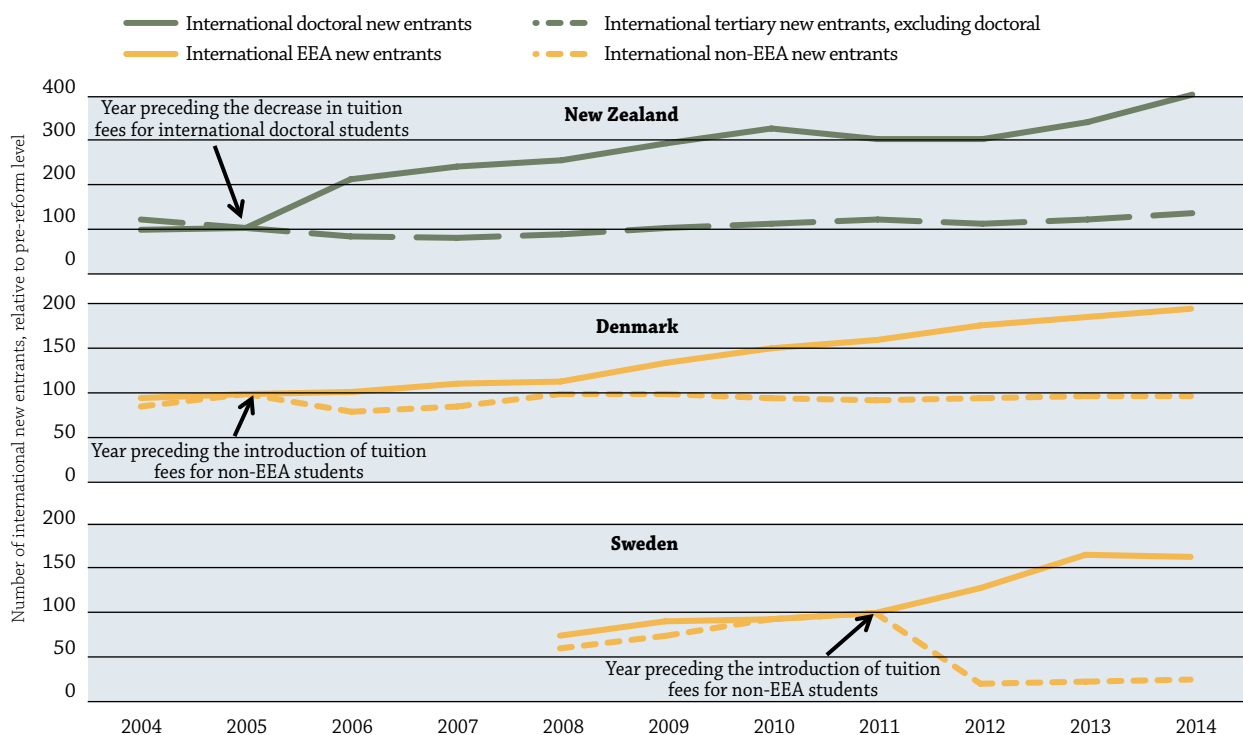
**Source:** OECD (2016), Education at a Glance Database, <http://stats.oecd.org/>.

and the comparatively high tuition fees they pay. In Austria and Sweden, revenue from foreign students is close to 1% of total expenditure. In Austria, this is due to the relatively low tuition fees paid by foreign students. In Sweden, the reason is the low share of foreign students paying higher fees in 2013/14 (students enrolled before the reform of 2011/12 do not pay tuition fees).

Handwritten notes: 28.32, 33.7, 36.5, 100%

**Figure 3. Number of international tertiary new entrants before and after tuition fees reform in New Zealand, Denmark and Sweden**

Relative to the number of international new entrants in the year preceding the reform (2005=100 for New Zealand and Denmark, 2011=100 for Sweden)



**Note:** See OECD (2016a; Indicator C3 and Box C4.2) for more details on the definitions of new entrants used in this chart.

**Source:** Denmark and Sweden: National Statistical Offices of Denmark and Sweden; New Zealand: New Zealand Ministry of Education.



**The evidence from national reforms shows that tuition fees and the number of international new entrants are related**

Between 2004 and 2014, three OECD countries enacted reforms explicitly aimed at changing foreign students’ tuition fees: Denmark, New Zealand and Sweden (Figure 3). From January 2006, the New Zealand government made provisions to encourage international students to enrol in its doctoral (PhD) programmes. These included offering foreign students the same subsidies to tuition fees as domestic students, and also granting them and their partners some rights to work. As a result, the number of international new entrants to doctoral (which includes PhD) programmes more than doubled in 2006, compared to a slight decline in other tertiary programmes. From 2007, the number of international new entrants has been growing steadily at both doctoral and other levels.

In 2006, Denmark introduced tuition fees for foreign students for short-cycle tertiary, bachelor’s and master’s or equivalent programmes. At these levels of education, the number of new entrants from outside the European Economic Area (EEA) fell by one-fifth in 2006. From 2006 to 2014, numbers increased by only 22%, while the number of students from the EEA, who were not affected by the reform, almost doubled in the same period.

In Sweden, where a similar reform came into effect in the academic year 2011/12, the number of non-EEA new entrants to short-cycle tertiary, bachelor’s and master’s or equivalent programmes dropped by almost 80%. Numbers picked up slightly thereafter, increasing by 6 percentage points from 2012 to 2014. As in Denmark, the number of new entrants from the EEA increased – by 28% in the year in which the reform became effective.

To reinforce these findings, the trends can be further cross-checked across countries. In contrast to New Zealand, the number of international doctoral new entrants increased only slightly (13%) in Denmark between 2004 and 2008. In addition, Denmark experienced no discontinuities in the number of international EEA and non-EEA new entrants in 2012 (the year of the Swedish reform), nor did Sweden before 2012. These results are consistent with those from other recent papers (Beine et al., 2016; Yang and Wang, 2016).

**The bottom line:** The number of students enrolled in tertiary education outside their country of citizenship has been steadily increasing over the last 15 years. Some countries attract foreign students on a revenue-generating or at least a cost-recovery basis, while others do not differentiate between the tuition fees paid by national and foreign students. The evidence from recent tuition-fee reforms suggests that tuition fees influence the choice of destination countries among international new entrants. However, higher tuition fees do not necessarily discourage international students, and can contribute substantially to the funding of tertiary education.

**For more information**

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